



Office of the State Auditor

Improving Contract Compliance



Newly-elected Grand Isle County Sheriff Connie Allen

Compilation of the Reports Submitted by County Sheriffs
and the Assistant Judges
for the Fiscal Year ended June 30, 2002

Elizabeth M. Ready
Vermont State Auditor
Issue Date: May 27, 2003

Mission Statement

The mission of the State Auditor's Office is to be a catalyst for good government by promoting reliable and accurate financial reporting as well as promoting economy, efficiency and effectiveness in State government.

Office of the State Auditor

Compilation of the Reports Submitted by County Sheriffs and the
Assistant Judges & Financial Operations of and Financial Assistance to
the County Sheriffs' Departments for the Fiscal Year ended June 30, 2002

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Summary from the Auditor

May 27, 2003

Speaker of the House of Representatives, Walter R. Freed

President Pro-Tempore of the Senate, Peter Welch

Governor James Douglas

Honorable Members of the Vermont General Assembly

Dear Sir or Madam:

I am writing to transmit to you a summary of the audits and required financial reports of the county sheriffs and assistant judges for the fiscal year ending June 30, 2002. These audits and reports are required under 24 V.S.A. § 290, a copy of which is included in Appendix A. The complete text of the audits for each county is available from our Office upon request.

The county sheriff's departments that received independent audits for FY 2002 were Caledonia, Essex, Grand Isle, Lamoille, Orleans, Rutland and Washington (the latter being audited at the request of the Attorney General's Office). These audits were completed by R. F. Lavigne & Company in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Please refer to Appendix B for a description of the approach and methodology used to secure the independent accounting firm.

The Independent Auditor's Report for each of these audits includes a Schedule of Findings, which are summarized below. These audit findings range from more serious issues related to noncompliance with laws and regulations to accounting practices that need improvement and that are typically found in small organizations. In all cases, the independent auditor recommended procedures to improve these controls. Please refer to Appendix C for a description of the accounting terms used to describe the findings outlined below.

Washington County Sheriff's Department

Material Non-Compliance

- During the 2001 calendar year, the Sheriff's Department received cash revenues of \$105,996 from contracts containing the 5 percent provision allowed under 24 V.S.A. § 291a(c) (See Appendix A). This entitled the Sheriff to a total payment of \$5,300 for administration of contracts under the above statute. The Sheriff was actually paid \$21,335. The amount paid to the Sheriff exceeded the amount he was entitled to by \$16,035.
- During the 2002 fiscal year, the Sheriff's Department received cash revenues of \$109,901 from contracts containing the 5 percent provision allowed under 24 V.S.A. § 291a(c). This entitled the Sheriff to a total payment of \$5,495 for administration of contracts under the above statute. The Sheriff was actually paid \$31,150. The amount paid to the Sheriff exceeded the amount he was entitled to by \$25,655.
- In December 2001, the Sheriff received a \$1,250 bonus from the Department. The Sheriff is paid by the State of Vermont and there is no provision in the statutes for bonus payments to Sheriffs.
- Combined with amounts owed from FY 2001, the total amount owed by the Washington County Sheriff is \$58,763.93, for the time period through June 30, 2002. These audit findings were referred to the Attorney General's Office on November 25, 2002. As of the date of this transmittal, the Sheriff has repaid \$19,600 of the total amount owed to the Washington County Sheriff's Department. The Sheriff still owes \$39,163.93 to the Department.

Non-Compliance

- The State of Vermont Uniform Accounting Manual for County Sheriff Departments (Manual) requires written contracts be obtained for all purchases over \$2,000 or services exceeding ten days duration. Work meeting these criteria was performed in five instances without a contract.

Material Weakness

- The Manual requires the segregation of duties for internal control purposes. The bookkeeper performs routine bookkeeping services, and is an authorized check signer who signs the majority of the Department's checks. Therefore, key financial duties are not properly segregated.
- The Manual requires that the Sheriff approve deputies' activity logs and timesheets. The required approval of timesheets is not documented.

Grand Isle County Sheriff's Department

Material Non-Compliance

- During the 2001 calendar year, the Sheriff's Department received cash revenues of \$30,526 from contracts containing the 5 percent provision allowed under 24 V.S.A. § 291a(c). This entitled the Sheriff to a total payment of \$1,526 for administration of contracts under the above statute. The Sheriff was actually paid \$8,548. The amount paid to the Sheriff exceeded the amount he was entitled to by \$7,022.
- During the 2002 calendar year, the Sheriff's Department received cash revenues of \$40,113 from contracts containing the 5 percent provision allowed under 24 V.S.A. § 291a(c). This entitled the Sheriff to a total payment of \$2,006 for administration of contracts under the above statute. The Sheriff was actually paid \$4,695. The amount paid to the Sheriff exceeded the amount he was entitled to by \$2,689.
- The total amount owed by the Grand Isle County Sheriff is \$9,711. These audit findings were referred to the Attorney General's Office on February 13, 2003. As of the date of this transmittal, the former Sheriff has repaid \$6,711 of the total amount owed to the Grand Isle County Sheriff's Department. The former Sheriff still owes \$3,000 to the Department.

Material Weakness

- The Manual requires the segregation of duties for internal control purposes. The bookkeeper was responsible for signing checks, preparing invoices, reconciling the accounts, and performing all other accounting functions. Therefore, key financial duties are not properly segregated.

Orleans County Sheriff's Department

Material Weaknesses

- The Manual requires the segregation of duties for internal control purposes. The comptroller was responsible for bookkeeping services, was an authorized check signer, and signed the majority of the department checks. Therefore, key financial duties are not properly segregated.

Non-Compliance

- The Manual requires bids be obtained for all purchases greater than \$3,000 through advertisement in a newspaper of general circulation in the county. The Sheriff's Department was unable to provide documentation of bids received for purchases greater than \$3,000.
- The Manual requires the Sheriff's Department to maintain a numerical sequence master record for each entity it contracts with. This record should include date of contract, brief description of service to be rendered, and amounts received under the contract. This record is used as the basis for preparing the annual report to the assistant judges. The Department has not maintained the required numbering system and the summary of the contract provisions as required.

Reportable Condition

- The Manual requires that the Sheriff approve deputies' activity logs or timesheets. The approval of timesheets is not always documented.

Caledonia County Sheriff's Department

Non-Compliance

- The Manual requires bids be obtained for all purchases greater than \$3,000 through advertisement in a newspaper of general circulation in the county. The Sheriff's Department was unable to provide documentation of bids received for purchases greater than \$3,000.

- The Manual also requires quotes or bids be obtained for all purchases greater than \$500. The Sheriff's Department was unable to provide documentation for one of the five items tested for this requirement.
- The Manual requires written contracts for all purchases over \$2,000 or services exceeding 10 days duration. Work that exceeded \$2,000 or exceeding 10 days duration was performed in three significant instances without a contract.

Lamoille County Sheriff's Department

Non-Compliance

- The Manual requires bids be obtained for all purchases greater than \$3,000 through advertisement in a newspaper of general circulation in the county. The Sheriff's Department was unable to provide documentation of bids received for purchases greater than \$3,000.
- The Manual requires quotes or bids be obtained for regular purchases greater than \$500. The Sheriff's Department was unable to provide documentation of bids or quotes for purchases greater than \$500.

Essex County Sheriff's Department

Non-Compliance

- The Manual requires written contracts to be obtained and be submitted to assistant judges for all purchases over \$2,000 or services exceeding 10 days duration. Work meeting these criteria was performed without a written contract.

Rutland County Sheriff's Department

Immaterial Non-Compliance

- The Manual requires that the Department prepare a formal, written policy that contains the elements stipulated in the Manual. Although the Department informally obtains competitive prices, it does not have a formal, written purchasing policy.

The balance sheets and operating statements for the sheriff's departments are summarized in Schedules 1 & 2, respectively. Additionally, Title 24 V.S.A. § 73(a) requires each county to provide its sheriff's department with certain specific funds, facilities, personnel, equipment and services. Under 24 V.S.A. § 290(b)d, the assistant judges must forward to the State Auditor a report reflecting funds distributed by the county to or on behalf of the sheriff's department. These reports are summarized in Schedule 3.

The accompanying compilations are based on the representations of the county sheriffs and assistant judges. We have not audited or reviewed the underlying financial records and documentation and, accordingly, do not express an opinion or any other form of assurance on them.

Sincerely,



Elizabeth M. Ready
Vermont State Auditor

Cc: Michael K. Smith, Secretary, Agency of Administration
Robert Hofmann, Commissioner, Department of Finance and Management
Jane Woodruff, Executive Director, Department of State's Attorneys and Sheriffs
County Sheriff Departments
State Library

Compilation of the Reports

Compilation of the Reports Submitted by County Sheriffs
and the Assistant Judges

Financial Operations of and Financial Assistance to the
County Sheriffs' Departments

for the Fiscal Year ended June 30, 2002

UNAUDITED
State of Vermont Sheriffs' Departments Balance Sheets - Schedule 1
Compiled from Reports Submitted by County Sheriffs for the Fiscal Year Ended June 30, 2002

	Addison County	Bernington County	* Caledonia County	* Chittenden County	* Essex County	* Franklin County	* Grand Isle County	* Lamoille County	* Orange County	* Orleans County	* Rutland County	* Washington County	Windham County	Windsor County	Total (Memorandum Only)
ASSETS															
Cash and Cash Equivalents	\$ 127,840	\$ 148,624	\$ 45,295	\$ 146,162	\$ 71,513	\$ 3,523	\$ 30,199	\$ 242,711	\$ 136,474	\$ 26,085	\$ 66,041	\$ 37,201	\$ 599,618	\$ 283,045	\$ 1,964,131
Investments, at Fair Market Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables, Net of Allowance															
for Uncollectible Accounts	113,590	61,310	24,644	56,554	82,244	55,392	32,488	37,464	22,962	27,482	132,138	109,094	45,090	-	800,792
Due from Sheriffs and Employees	-	-	-	-	-	-	-	-	-	-	-	23,307	-	-	23,307
Due from Other Governments	-	10,635	-	-	-	41,637	-	-	-	-	-	-	77,950	52,661	182,883
Accrued Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory, at Cost	28,998	-	-	-	-	-	3,556	-	-	-	-	-	-	-	32,554
Prepaid Expenses and															
Deferred Charges	6,807	-	-	5,728	-	-	2,500	7,204	-	4,100	22,403	6,387	13,978	5,746	75,053
Fixed Assets, Net of															
Accumulated Depreciation	256,905	224,315	97,698	122,635	103,241	253,636	3,057	450,014	64,202	91,910	179,003	62,013	541,994	205,562	2,655,585
Restricted Assets	-	-	-	-	-	-	-	-	11,662	-	138,699	-	-	282	150,643
Total Assets	\$ 533,880	\$ 444,884	\$ 167,637	\$ 331,079	\$ 256,998	\$ 354,188	\$ 71,800	\$ 737,393	\$ 235,300	\$ 149,577	\$ 538,484	\$ 238,002	\$ 1,278,630	\$ 571,078	\$ 5,885,147

LIABILITIES AND EQUITY

LIABILITIES

Accounts Payable	\$ 8,351	\$ 14,142	\$ 960	\$ 6,797	\$ 4,729	\$ 47,174	\$ -	\$ 11,605	\$ 1,456	\$ 3,549	\$ 9,527	\$ 1,024	\$ 32,471	\$ 3,368	\$ 145,353
Due to the State of Vermont	578	10,635	-	8,008	-	-	186	-	-	-	-	-	864	-	20,271
Accrued Interest Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	359	359
Wages and Payroll Items Payable	5,353	-	8,008	39,699	9,208	35,754	8,064	40,445	12,148	19,934	26,984	18,362	60,843	8,962	293,764
Compensated Absences Payable	6,840	-	-	-	-	-	-	-	-	-	653	-	14,825	-	22,318
Deferred Revenue	-	-	-	22,316	-	-	-	-	11,862	-	25,933	-	-	-	60,111
Deferred Compensation	-	-	-	-	-	-	-	-	-	-	116,487	-	3,030	-	119,517
Notes and Other Debt Payable	999	143,190	52,111	7,760	4,188	182,295	-	40,235	22,500	74,207	122,011	22,896	-	128,951	801,343
Total Liabilities	22,321	167,967	61,079	84,580	18,125	265,223	8,250	92,285	47,966	97,690	301,395	42,282	112,033	141,640	1,463,036

EQUITY

Retained Earnings	511,559	276,917	106,558	246,499	238,873	88,965	63,550	645,108	187,334	51,887	236,889	195,720	1,166,597	429,438	4,445,894
Total Equity	511,559	276,917	106,558	246,499	238,873	88,965	63,550	645,108	187,334	51,887	236,889	195,720	1,166,597	429,438	4,445,894

* Indicates that the June 30, 2002 report was audited by a Certified Public Accountant

UNAUDITED

State of Vermont Sheriffs' Departments Statement of Revenues, Expenses and Changes in Retained Earnings - Schedule 2
Compiled from Reports Submitted by County Sheriffs for the Fiscal Year Ended June 30, 2002

	Addison County	Bennington County	Caledonia County	Chittenden County	Essex County	Franklin County	Grand Isle County	Lamoille County	Orange County	Orleans County	Rutland County	Washington County	Windham County	Windsor County	Total (Memorandum Only)
OPERATING REVENUES															
Charges for Services	\$ 311,843	\$ 991,092	\$ 291,659	\$ 228,391	\$ 224,897	\$ 566,592	\$ 104,272	\$ 987,647	\$ 267,474	\$ 492,463	\$ 1,207,575	\$ 554,738	\$ 1,694,249	\$ 739,833	\$ 8,662,725
Jail Revenue	287,271	-	-	-	-	163,544	-	-	485	-	-	-	-	-	451,300
Operating Grants and Forfeitures	22,407	87,642	9,500	181,025	114,876	21,105	123,115	52,703	19,521	14,206	125,170	133,023	86,849	37,241	1,028,383
Miscellaneous Revenues	26,934	-	1,519	306,127	5,855	6,593	17,575	-	5,736	1,840	39,193	17,706	3,068	10,290	442,436
Total Operating Revenues	648,455	1,078,734	302,678	715,543	345,628	757,834	244,962	1,040,350	293,216	508,509	1,371,938	705,467	1,784,166	787,365	10,584,845
OPERATING EXPENSES															
Contracted Services	201,596	247,195	215,440	162,433	123,298	113,909	59,898	283,038	130,989	111,850	556,680	247,518	1,158,621	256,570	3,869,055
Process Services	11,348	21,487	3,967	90,427	949	-	3,168	21,033	39,077	45,413	20,667	52,713	13,736	27,431	351,616
Jail Services	187,780	114,171	-	62,228	-	250,784	-	-	1,987	-	5,643	-	-	-	622,593
Transportation Services	-	83,560	-	49,809	19,528	-	1,655	-	-	-	-	263,048	-	39,095	456,695
Administration and General	39,164	321,526	18,869	193,809	38,500	404,180	34,795	151,740	50,814	233,732	333,757	41,802	151,551	165,496	2,179,435
Communication Services	15,876	3,136	2,389	-	6,438	6,908	200	383,049	9,649	21,355	37,027	12,025	48,067	8,616	554,755
Automotive Services	34,729	61,420	23,088	-	40,851	24,757	25,573	49,116	27,518	30,163	65,522	53,515	113,632	65,731	615,615
Grants	-	119,635	8,560	136,425	-	-	98,203	-	11,571	-	151,603	-	-	37,398	563,395
Depreciation	78,787	76,190	30,686	54,126	20,526	41,680	6,571	59,741	20,219	40,678	73,292	49,779	138,869	68,377	759,521
Total Operating Expenses	569,480	1,048,320	302,999	749,277	250,110	842,218	230,063	947,717	291,824	483,191	1,244,191	720,100	1,624,476	668,714	9,972,680
Operating Income (Loss)	78,975	30,414	(321)	(33,734)	95,518	(84,384)	14,899	92,633	1,392	25,318	127,747	(14,633)	159,690	118,651	612,165
NON-OPERATING REVENUES (EXPENSES)															
Interest	1,139	292	161	2,401	52	146	37	6,810	3,323	932	611	6	16,804	3,857	36,571
Rent	-	-	-	1,100	-	-	-	-	-	-	-	-	-	-	1,100
Contributions	6,500	-	8,872	-	-	(1,633)	667	-	-	17,259	11,050	100	-	(375)	42,440
Sale of Equipment	-	7,659	87	-	300	940	1,250	4,403	679	-	3,100	(450)	300	(2,258)	16,010
Other	-	-	616	-	-	(1,373)	-	1,474	-	-	-	-	-	-	717
Interest and Fiscal Charges	-	(3,339)	(6,158)	-	(503)	(4,080)	(551)	(390)	-	(5,284)	(8,422)	(1,180)	-	-	(29,907)
Total Non-Operating Revenues (Expenses)	7,639	4,612	3,578	3,301	(151)	(6,000)	1,403	12,297	4,002	12,907	6,339	(1,524)	17,104	1,224	66,931
Net Income (Loss)	86,614	35,026	3,257	(30,233)	95,367	(90,384)	16,302	104,930	5,394	38,225	134,086	(16,157)	176,794	119,875	679,096
Retained Earnings, Beginning of Year	424,945	241,891	103,301	276,732	143,506	179,349	47,248	540,178	181,940	13,662	102,803	211,877	989,803	395,563	3,766,798
Retained Earnings, End of Year	\$ 511,559	\$ 276,917	\$ 106,558	\$ 246,499	\$ 238,873	\$ 88,965	\$ 63,550	\$ 645,108	\$ 187,334	\$ 51,887	\$ 236,889	\$ 195,720	\$ 1,166,597	\$ 429,438	\$ 4,445,894

* Indicates that the June 30, 2002 report was audited by a Certified Public Accountant

UNAUDITED

State of Vermont Sheriffs' Departments Summary of County Cash Expenditures in Support of Sheriffs' Departments - Schedule 3 Compiled from Reports Submitted by the Assistant Judges for the Fiscal Year Ended June 30, 2002

	Addison County	Bennington County	Caledonia County	Chittenden County	Essex County	Franklin County	Grand Isle County	Lamoille County	Orange County	Orleans County	Rutland County	Washington County	Windham County	Windsor County	Total (Memorandum Only)
COUNTY EXPENDITURES in SUPPORT of SHERIFFS' DEPARTMENTS															
Personnel Costs	\$ 65,585	\$ 87,965	\$ 54,579	\$ 75,596	\$ 22,400	\$ 44,505	\$ 34,883	\$ 51,008	\$ 123,854	\$ 38,019	\$ 98,047	\$ 80,834	\$ 169,271	\$ 63,792	\$ 1,010,338
Equipment Costs - Office	982	6,684	-	6,030	-	4,042	1,195	7,500	-	961	-	413	-	2,219	30,025
Equipment Costs - Law Enforcement	6,500	-	236	-	17,918	2,271	20,334	-	5,500	7,775	10,301	16,745	-	-	87,580
Office Expense (Rent, supplies, telephone, etc.)	8,381	33,282	19,444	26,894	4,740	8,326	7,348	12,028	8,674	5,828	43,497	21,843	11,946	21,928	234,159
Insurance & Bonding	18,114	17,626	7,419	7,987	-	10,756	112	17,286	15,828	10,778	9,703	19,440	42,313	15,344	192,707
Training	3,051	4,379	1,637	22,712	4,675	6,080	10,258	8,883	6,593	10,816	10,411	326	-	9,309	99,131
Matching Share of Grants	-	-	-	-	-	-	-	-	-	254	-	-	-	-	254
Other Operating Costs	248	69	-	9,226	12,197	33,303	5,841	5,367	15,537	197	-	14,700	-	7,680	104,563
Total County Expenditures in Support of Sheriffs' Departments	\$ 102,861	\$ 150,005	\$ 83,316	\$ 148,444	\$ 61,929	\$ 109,483	\$ 79,971	\$ 102,071	\$ 175,986	\$ 74,628	\$ 171,959	\$ 154,301	\$ 223,530	\$ 120,272	\$ 1,758,757

Appendix A

Vermont Statutes Annotated

Title 24: Municipal and County Government

Chapter 5: County Officers; Powers And Duties

§ 290. County sheriff's department

(a) A sheriff's department is established in each county. It shall consist of the elected sheriff in each county, and such deputy sheriffs and supporting staff as may be appointed by the sheriff. Full-time employees of the sheriff's department, paid by the county, shall be county employees for all purposes but shall be eligible to join the state employees retirement system, provided the county shall pay the employer's share. The sheriff's department shall be entitled to utilize all state services available to a town within the county.

(b) Full-time deputy sheriffs whose primary responsibility is transportation of prisoners and mentally ill persons shall be paid by the state of Vermont. The appointment of such deputies and their salary shall be approved by the governor, or his designee.

(c) Equity, indebtedness, ownership of equipment and title to motor vehicles associated with the operation of each sheriff's department and purchased with department funds shall be held in the name of the department, not in the name of the sheriff. The department is constituted as a legal entity with the power to contract and incur liabilities.

(d) Upon the election of a sheriff-elect who is not the incumbent sheriff, or upon notice of the resignation of the sheriff, all financial disbursements from the accounts of the department, including the transfer of real or personal property, or other assets, of the department shall be co-signed by the sheriff and the assistant judges. A report of all financial disbursements or transfers made pursuant to this subsection shall be forwarded by the assistant judges to the auditor of accounts within 15 days of completion of the out-going sheriff's duties. (Added 1977, No. 218 (Adj. Sess.), § 1; amended 1987, No. 262 (Adj. Sess.), § 3; 1991, No. 257 (Adj. Sess.), § 4.)

§ 290b. Quarterly reports; audits

(a) Quarterly, on or before April 30, July 31, October 31 and January 31, the sheriff and each full-time deputy sheriff shall furnish to the finance and management commissioner and to the assistant judges for filing with the county clerk, on forms provided by the commissioner, a sworn statement of all sums in addition to full-time salaries received by each of them as compensation acquired by virtue of their offices. Such reports shall be public records. The sheriff shall revoke the commission of any full-time deputy sheriff who fails to file such a report. The commissioner of finance and management shall withhold payments of salary and expenses to any sheriff or full-time deputy sheriff who fails to file such a report.

(b) The auditor of accounts shall adopt and sheriffs shall comply with a uniform system of accounts, controls, and procedures for the sheriff's department, which accurately reflects the receipt and disbursement of all funds by the department, the sheriff, and all employees of the department. The uniform system shall include:

- (1) Requirements for written financial records and books.
- (2) Procedures for the recording of all financial transactions and the maintenance of such records.
- (3) Procedures to ensure proper documentation to ensure that all disbursement transactions are properly supported, approved, and recorded.
- (4) Procedures to ensure that all receipts are properly supported and recorded.
- (5) Procedures to ensure that bank receipt and disbursement accounts are reconciled on a timely basis.
- (6) Procedures for the preparation of an annual set of financial reports which accurately reflects the financial transactions and condition of the department.
- (7) Procedures to ensure that all payments for services performed by the sheriff, deputy sheriffs, or other employees of the department rendered by virtue of their office are made to the sheriff's department.
- (8) Procedures and controls which identify revenues received from public entities through appropriations or grants from the federal, state or local governments from revenues received through contracts with private entities.
- (9) Other procedures and requirements as the auditor of accounts deems necessary.

(c) The auditor of accounts and his or her designee may at any time examine the records, accounts, books, papers, contracts, reports and other materials of the county sheriff departments as they pertain to the financial transactions, obligations, assets, and receipts of that department. The auditor, or his or her designee, shall conduct an audit of the accounts for a sheriff's department whenever the incumbent sheriff leaves office.

(d) Annually each sheriff shall furnish the auditor of accounts on forms provided by the auditor, a financial report reflecting the financial transactions and condition of the sheriff's department. The sheriff shall submit a copy of this report to the assistant judges of the county. The assistant judges shall prepare a report reflecting funds disbursed by the county in support of the sheriff's department and forward a copy of their report to the auditor of accounts. The auditor of accounts shall compile the reports and submit one report to the general assembly.

(e) Biennially, according to a schedule established by the auditor of accounts, each sheriff shall retain a public accountant selected by the sheriff and the assistant judges to conduct an audit of the financial systems, controls, and procedures within the department. The public accountant shall prepare a written report detailing the review of the department. A copy of this report shall be forwarded to the assistant judges and the auditor of accounts. The cost of this report shall be paid by the secretary of administration, auditor of accounts and the sheriff's department, in equal amounts. (Amended 1991, No. 257 (Adj. Sess.), § 3, eff. July 1, 1993; 1993, No. 60, § 55a.)

§ 291a. Contracts

(a) In the name of the sheriff's department, the sheriff may enter into written contracts with the state of Vermont, an agency of the United States, one or more towns within or without the county, or any nongovernmental entity, to provide law enforcement or other related services including, but not limited to, security services, central dispatching for police, fire or ambulance services, and centralized support services. Contracts between the sheriff's department and a town shall be valid if approved by the sheriff and by a majority of the selectmen of the town provided that funding has been approved by a duly warned annual or special town meeting. Deputy sheriffs engaged in the performance of a contract shall be considered employees of the sheriff's department for all purposes, except that for purposes of determining eligibility for Social Security, employees under this section shall be considered county employees, provided however that the sheriffs' departments shall be responsible for employers' contributions.

(b) A contract made with a town to provide law enforcement or related services shall contain provisions governing the following subjects as best suit the needs of the parties:

- (1) The services to be provided, including state statutes, or town ordinances or both, which are to be enforced;
- (2) Rates of compensation, allocation of expenses, total cost of contract and methods of payment therefore;
- (3) Ownership of any property acquired under the contract in event of termination of the contract;
- (4) The type, frequency and information to be contained in reports submitted by the sheriff's department to the town;

- (5) Methods adopted to resolve disputes;
- (6) The term of the contract shall specify the commencement and termination date of the services to be provided and provisions for renewal thereof; and
- (7) Such other items, not inconsistent with law, as may be agreed upon.

(c) A contract under this section may contain provisions for compensation to the sheriff for administration of the contract and related services. No compensation may be paid to a sheriff for administration of the contract or related services unless the contract sets forth in writing the rate or method of calculation for the compensation and a schedule of payment; provided that a sheriff's compensation for administration shall not exceed five percent of the contract. A sheriff's rate of compensation shall be at a rate equivalent to other employees of the department who provide similar services under the contract. Compensation to the sheriff shall be made in accordance with the schedule set forth in the contract but in no event may a sheriff be compensated for administration of the contract and related services unless the compensation is made in the same calendar year in which the revenue was received by the department under the contract.

(d) An agreement or contract for services between a sheriff's department and governmental or nongovernmental entity shall be in writing if the total cost of the contract or agreement exceeds \$2,000.00 or the duration of the services provided exceeds ten working days or if the cumulative total of the contracts or agreements entered into by the sheriff's department and the same governmental or nongovernmental entity exceeds \$2,000.00 or ten working days within a calendar year. Annually, the sheriff shall submit to the assistant judges for filing with the county clerk a report of all written contracts, categorized by the contracting party, services rendered, date of contract, and amount received.

(e) Each sheriff's department shall establish a procedure for all purchase contracts entered into by the department. The procedure shall be established in writing, filed with the assistant judges and made available for public review. The written procedure shall also be forwarded to the auditor of accounts for use in the conduct of audits required under this chapter. (Added 1977, No. 218 (Adj. Sess.), § 2; amended 1987, No. 121, § 10; 1991, No. 257 (Adj. Sess.), § 2.)

Appendix B

Approach and Methodology

According to Title 24 V.S.A. § 290b(e): “Biennially, according to a schedule established by the auditor of accounts, each sheriff shall retain a public accountant selected by the sheriff and assistant judges to conduct an audit of the financial systems, controls and procedures within the department.”

Title 24 V.S.A. § 290b(d) further requires that: “The auditor of accounts shall compile the reports and submit one report to the general assembly.”

Historically, the county sheriffs’ departments had little or no response to their requests for proposals and had difficulty arranging for accounting firms to complete the required audit work in a timely manner.

Staff from the State Auditor’s Office met with the Sheriffs throughout the first six months of 2001 to discuss strategies for improving the problems in retaining qualified independent accounting firms to conduct the audits in a timely manner. At that time it was determined that a single Request for Proposals (RFP) to conduct the audits of all county sheriffs’ departments would likely yield the best response. Representatives from the Sheriffs’ Association Executive Committee anticipated that a single contract with the same accounting firm would incorporate a more efficient and economic process that was difficult to implement when the 14 separate departments solicited bids, made awards, and attempted to provide timely audited or unaudited financial statements to the State Auditor’s Office.

The State Auditor’s Office agreed to manage and coordinate the administrative work associated with conducting a competitive bidding process including the development of the RFP. Four independent accounting firms responded to the RFP and following an evaluation process members of the Vermont Sheriffs’ Association’s Executive Committee endorsed a proposal by R.F. Lavigne & Company of Williston, to perform the biennial audit of Vermont’s 14 County Sheriffs’ Departments for FY 2001 and FY 2002. This proposal and subsequent contract were later agreed to and approved by all county Sheriffs’ departments and assistant judges with the exception of Essex County. At the time the contract was being developed Essex County felt that given their small Office they could procure a local accountant for less cost. However, they since have contracted with R.F. Lavigne & Company to perform their biennial audit.

All audits conducted by R.F. Lavigne & Company are completed in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

A separate audit report on the financial statements, internal controls and compliance, in accordance with generally accepted government auditing standards, is required for the financial statements of each department. A letter of findings and recommendations is also expected, if applicable.

Financial statements are formatted in accordance with the sample financial statements included as Appendix G of the Uniform Accounting Manual for the County Sheriff Departments (rev. 12/1998), as prepared by the Vermont State Auditor of Accounts.

Copies of the final audit reports are provided to the respective Sheriffs' departments and to the Office of the State Auditor.

Appendix C

Glossary of Terms

Non-Compliance

Auditors should design the audit to provide reasonable assurance of detecting material misstatements resulting from noncompliance with provisions of contracts or grant agreements that have a material effect on the determination of financial statement amounts. If specific information comes to the auditor's attention that provides evidence concerning the existence of possible noncompliance that could have a material indirect effect on the financial statements, auditors should apply audit procedures specifically directed to ascertaining whether that noncompliance has occurred.

The term noncompliance has a broader meaning than illegal acts. Noncompliance includes not only illegal acts, but also violations of provisions of contracts or grant agreements. AICPA standards do not discuss auditors' responsibility for detecting noncompliance other than illegal acts. But, under GAGAS, auditors have the same responsibilities for detecting material misstatements arising from other types of non-compliance as they do for detecting those that arise from illegal acts.

Direct and material noncompliance is noncompliance having a direct and material effect on the determination of financial statement amounts. Auditors should design the audit to provide reasonable assurance of detecting material misstatements resulting from direct and material noncompliance with provisions of contracts or grant agreements.

Indirect noncompliance is noncompliance having material but indirect effects on the financial statements. A financial statement audit provides no assurance that indirect noncompliance with provisions of contracts or grant agreements will be detected. However, if specific information comes to the auditors' attention that provides evidence concerning the existence of possible noncompliance that could have a material indirect effect on the financial statements, auditors should apply audit procedures specifically directed to ascertaining whether that noncompliance has occurred.

Source: *Government Auditing Standards (Yellow Book), 1994 Revision, paragraphs 4.13, 4.18, 4.19 and 4.20*

Immaterial Non-Compliance

A finding which discusses conditions representing noncompliance with laws, regulations, contracts, or grants, the effects of which do not have a material effect on the financial statements.

Material Weakness

A material weakness in internal control is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Although this section does not require that the auditor separately identify and communicate material weaknesses, the auditor may choose or the client may request the auditor to separately identify and communicate as material weaknesses those reportable conditions that, in the auditor's judgment, are considered to be material weaknesses.

Source: *Codification of Statements of Auditing Standards, AU § 325.15*

Reportable Condition

Specifically, these are matters coming to the auditor's attention that, in his or her judgment, should be communicated to the audit committee because they represent significant deficiencies in the design or operation of internal control, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Such deficiencies may involve aspects of the five internal control components of (a) the control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) monitoring.

Source: *Codification of Statements of Auditing Standards, AU § 325.02*

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